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SIPDIS

SENSITIVE

DEPT FOR AF/E, AF/RSA, AF/EPS, AND DRL/IL
DEPT ALSO PASS TO DEPT OF LABOR FOR SUDHA HALEY, PATRICK WHITE AND MAUREEN PETTIS
GENEVA FOR LABOR ATTACHE CHAMBERLIN

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TAGS: ELAB ECON KE
SUBJECT: Kenyan Implementation of Decent Work Agenda

SENSITIVE BUT UNCLASSIFIED

¶1. (U) Summary: The Government of Kenya (GOK) is working with the ILO to develop an action plan to implement the Decent Work Program included in the September 9, 2004 African Union declaration in Ouagadougou on employment and poverty alleviation. The GOK hopes its new Ksh 1 billion (USD 14.5 million) Youth Enterprise Development Fund will reduce widespread unemployment, but effective implementation may prove difficult. The Labor Ministry claims the Cabinet has approved the four labor reform bills intended to update Kenya's labor regime and harmonize it with its East African Community (EAC) partners. End Summary

Alleviating Poverty, Promoting Employment and Decent Work

¶2. (U) Permanent Secretaries from Kenya's Ministry of Labor and 10 other Ministries, the Employers Federation and the Union Federation agreed to focus on three priorities in their efforts to implement the Decent Work Program included in the September 9, 2004 African Union declaration in Ouagadougou on employment and poverty alleviation. The International Labor Organization (ILO) first announced the Decent Work Agenda in 1999, calling for members to integrate four strategic objectives into their general economic and social policy making process: rights at work, employment, social protection, and social dialogue. After a two-day workshop with the tripartite social partners, ILO East Africa Rep Schwettmann informed LabAtt the ILO will assist Kenya in developing a country program to:

¶A. Promote youth employment and eliminate child labor by putting child laborers in school and replacing them with unemployed workers, 16 years or older.

¶B. Extend social protection to the informal sector and rural areas and combat HIV/AIDS in the workplace through provision of basic, inexpensive health insurance.

¶C. Strengthen the institutional capacity of the social partners to play a more effective role in the GOK's policy formulation process, including its Vision 2030 growth strategy, and discussions with the World Bank (WB) and IMF on macro-economic policy, structural adjustment and privatization.

¶3. (U) Concerning theme A, the ILO Rep noted the Ministry of Youth Affairs (MOYA) had briefed on the GOK's plan to distribute Ksh 1 billion (USD 14.5 million) in the first half of 2007 for the new Youth Enterprise Development Fund (YEDF). MOYA reported the economy absorbs only about 25 per cent of the young people joining the labor market annually. The fund is aimed at creating employment in the informal sector and is the Kibaki government's main effort to redeem

its campaign promise to create 500,000 jobs/year. Ksh 1 million (about US$14,493) will be distributed to each of the 210 Constituencies, where Divisional Social Development Committees (DSDC) will be established to lend up to Ksh 50,000 (about US$725) to selected youth groups for a 5% administrative fee. Ksh 100 million (about US$1.5 million) will be used to provide entrepreneurial training, create business linkages with larger enterprises, facilitate the marketing of youth enterprise products, and develop foreign employment opportunities. The remaining Ksh 690 million (just under US$1 million) will be given to 15 microfinance institutions, credit cooperatives and banks for onward lending at an interest of between seven and eight per cent. MOYA estimates that 200,000 youth will benefit. The GOK had previously announced separate plans to rehabilitate a minimum of one youth polytechnic school in each Constituency.

¶4. (SBU) Schwettmann expressed skepticism about the plan's likely effectiveness. Based on his experience with a similarly designed reconstruction project in Germany, he warned that without risk, lenders lacked incentive to select borrowers with the best-prepared business plans and coach them towards success.

¶5. (U) Concerning point B, the GOK has already made a start. In October 2006, National Health Insurance Fund (NHIF) CEO Richard Kerich announced a new medical insurance scheme to include informal sector workers and people past retirement age. Under the new scheme, people would pay a minimum Sh160 (about US$ 2.3) a month - Ksh 1,920 (about US$28) a year - to receive full and comprehensive coverage at government hospitals for maternity and diseases, including surgery. At most mission hospitals and small private hospitals, the scheme offers full coverage, except for surgery, where patients would have to pay part of the fee.

¶6. (U) Concerning point C, ILO Program Officer Rutabanzibwa stated the Labor Ministry needed to better explain and document its efforts to carry out its functions and national policies to the Ministry of Finance in order to obtain larger budget allocations. The Ministry and Kenya's trade unions also need resources and capacity building to play an effective role and maintain emphasis on employment issues in the GOK's development of macro-economic and structural adjustment policies. LabAtt agreed the Ministry is starved for the resources needed to fight child labor, carry out safety inspections, and enforce the labor laws. He suggested that investment in IT would also help the Ministry, whose website is outdated, and whose e-mail usually does not function.

Promoting Decent Work Agenda

¶7. (SBU) In November, the African branch of the International Confederation of Free Trade Unions (ICFTU-AFRO) and the Central Organization of Trade Unions - Kenya (COTU) agreed to participate in the January 2007 World Social Forum (WSF) in Nairobi. Their goal was to promote the Decent Work agenda and highlight other broader issues affecting workers in the African continent. In his meeting with LabAtt, AFRO SG Kailembo made it clear that he and COTU SG Atwoli had worked hard to prevent more radical elements in the labor movement and their allies in the WSF from hijacking the trade union agenda.

Employment Policy

¶8. (U) ILO Rep Schwettmann also discussed developing an employment policy with the Ministry. LabAtt pointed out that the formal sector accounts for only about 10% of Kenya's employment. Any employment policy should focus on strengthening the informal sector, commonly known as Jua Kali, and vocational and business training, rather than worrying about job losses from privatization of parastatals. Capital at reasonable interest rates for small and medium enterprises is desperately needed. LabAtt warned that the same barriers of high crime, corruption, a dysfunctional judicial system, and poor infrastructure that inhibit formal sector investment and job creation also constrain job creation in the informal sector. The GOK calculates that informal sector employment grew by 6.9% in 2005 to reach 6.4 million, creating 414,400 new jobs, whereas formal sector job growth was only 44,000, restricted mainly by the continuing decline in public sector employment.

¶9. (U) The Labor Ministry told the ILO representative the four labor reform bills drafted by the ILO in 2004 under the DOL-funded Strengthening Labor Relations in East Africa (SLAREA) project had been approved by the Cabinet, and had been sent to Parliament. LabAtt explained that the bills had to be published (gazetted) before being sent to Parliament, and this would have to wait until Parliament returned to session in March. The bills were drafted to bring Kenya's labor laws into closer compliance with ILO norms, and to harmonize Kenya's, Uganda's and Tanzania's labor laws before the East African Community (EAC) allowed free movement of labor. Labor Commissioner Kavuludi told the press Parliament would debate the labor bills after it completed work on an unnamed bill not passed in an earlier session.

Comment

¶10. (SBU) Kenya's social partners are making some progress in implementing the ILO Decent Work Agenda as elements of the Ouagadougou Declaration and Action Plan on employment and poverty alleviation, 30 months after the conference. Critics of the YEDF dismiss it as an election year ploy, but the project has been under development for at least a year. It is encouraging that the GOK decided not to give MPs control over distribution of the funds, relying mainly on financial institutions to tap their experience. Creating Divisional Social Development Committees (DSDC) to distribute Ksh 1 million (about US$14,493) in each district may reduce MPs' control over the funds. However, it seems likely the DSDC's will repeat the uneven levels of transparency and effectiveness experienced by the Constituency Development Fund Committees over the last few years.

RANNEBERGER